

MINUTE ITEM

9. (PROPOSED UNIT OPERATING AGREEMENT, THE TEXAS COMPANY, HENRY HOTTINGER, A. J. KENNEDY, THE DOW CHEMICAL COMPANY AND VISTARIO CORPORATION, GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1, SACRAMENTO COUNTY - W. O. 2971.)

After presentation of Calendar Item 20 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO APPROVE THE FORM OF UNIT AGREEMENT DATED JUNE 10, 1958 BETWEEN THE DOW CHEMICAL COMPANY, VISTARIO CORPORATION, THE TEXAS COMPANY, HENRY HOTTINGER, AND A. J. KENNEDY, LEASE OWNERS, AND OTHER PARTIES REFERRED TO AS ROYALTY OWNERS, AS TO THE INCLUSION OF PORTIONS OF STATE LANDS UNDER GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1 AS DESCRIBED IN EXHIBIT "A" ATTACHED, SUBJECT TO APPROVAL OF THE UNIT AGREEMENT AS TO FORM BY THE OFFICE OF THE ATTORNEY GENERAL.

Attachment

Calendar Item 20 (2 pages)

CALENDAR ITEM

SUPPLEMENTAL

20.

(PROPOSED UNIT OPERATING AGREEMENT, THE TEXAS COMPANY, HENRY HOTTINGER, A. J. KENNEDY, THE DOW CHEMICAL COMPANY AND VISTARIO CORPORATION, GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1, SACRAMENTO COUNTY - W. O. 2971.)

An application has been received from the Brazos Oil and Gas Company, Division of The Dow Chemical Company, on behalf of The Dow Chemical Company and the Vistario Corporation, for approval of inclusion within a unit operating agreement of a portion of the lands leased to Brazos Oil and Gas Company under Gas Leases P.R.C. 714.1 and P.R.C. 729.1. The proposed unit agreement excepts from the unitized area that portion of the lands lying between the surface and 4,700 feet below the surface. It is proposed to drill a deep test well in the unit area. To date formations below the Midland Zone have not been explored at this location. Approval by the Commission of inclusion of State lands in unit plan of development is authorized under Section 6832, Public Resources Code, whenever it is determined by the Commission to be necessary or advisable in the public interest. Such agreements are also subject to approval by the State Oil and Gas Supervisor under Section 3301, Public Resources Code, whenever the Supervisor finds that it is in the interest of the protection of oil or gas from unreasonable waste.

Under the proposed agreement, approximately 66 acres of State land under Leases P.R.C. 714.1 and P.R.C. 729.1 would be operated in conjunction with 564 acres of lands owned by lessees other than the State. Royalty would be paid to the State on that portion of the gas production from the total operating area in the proportion that the applicable State area bears to the total unit area. This proportion has been computed at 2.7961% for P.R.C. 714.1 and 7.6893% for P.R.C. 729.1. The royalty rates payable to the State and the minimum production requirements would continue to be determined by the terms and conditions of the original lease. This agreement will terminate and each of the leases pooled hereby will revert to its status prior to the making effective of this pooling agreement unless lease owners commence operations for drilling of a well in search of gas in some portion of the unitized area within 30 days after this agreement has been executed by all royalty owners, or one year from June 10, 1958, whichever shall be the lesser date.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE FORM OF UNIT AGREEMENT DATED JUNE 10, 1958 BETWEEN THE DOW CHEMICAL COMPANY, VISTARIO CORPORATION, THE TEXAS COMPANY, HENRY HOTTINGER, AND A. J. KENNEDY, LEASE OWNERS, AND OTHER PARTIES REFERRED TO AS ROYALTY OWNERS, AS TO THE INCLUSION OF PORTIONS OF STATE LANDS UNDER GAS LEASES P.P.C. 714.1 AND P.R.C. 729.1 AS DESCRIBED IN EXHIBIT "A" ATTACHED, SUBJECT TO APPROVAL OF THE UNIT AGREEMENT AS TO FORM BY THE OFFICE OF THE ATTORNEY GENERAL.

Attachment
Exhibit "A"

EXHIBIT "A"

TRACT 4
48.4 acres

A portion of the Sacramento River located between Grand Island and Andrus Island in the County of Sacramento, State of California, in Township 4 North, Range 4 East, M.D.B. & M., and described as follows:

BEGINNING at a stake on the South bank of the Sacramento River at the end of a ditch fence and a large oak post marked "Pool and Sharp," said stake being the West corner of 171 acres of land described in a Memorandum of Oil and Gas Lease between the Capital Company and Brazos Oil and Gas Company, recorded in Book 1827, page 434, of the records of Sacramento County;

THENCE approximately North 17° 45' West across the river to a point on the North bank, being the Southwest corner of S.L.S. No. 320 and the Joe Lopes 103.1 acre tract;

THENCE following the North bank of the Sacramento River in a Northeasterly direction to the Southeast corner of the 95.8 acre Marion Brown tract, previously described as Tract 3, above;

THENCE South 35° 38' East across the river to a point on the South bank, being in the Northwest line of the Gamble and Darsie 100 acre tract described in a lease recorded in Book 3259, page 278, of the Official Records of Sacramento County;

THENCE following the South bank of the Sacramento River in a Southwesterly direction to the place of beginning, containing 48.4 acres.

TRACT 8
17.6 acres

A portion of Georgiana Slough located between Tyler Island and Andrus Island in the County of Sacramento, State of California, in Township 4 North, Range 4 East, M.D.B. & M., and described as follows:

BEGINNING on the North bank of Georgiana Slough at the South corner of 171 acres of land described in a Memorandum of Oil and Gas Lease between Capital Company and Brazos Oil and Gas Company, recorded in Book 1827, page 434, of the Official Records of Sacramento County;

THENCE following the bank of the Slough in a Northeasterly direction to the East corner of the Darsie and Gamble 100 acre tract described in a lease recorded in Book 3259, page 278, of the Official Records of Sacramento County;

THENCE South 36° East across the Slough to a point on the South bank;

THENCE following the South bank in a Southwesterly direction to a point opposite the place of beginning;

THENCE North 38° 53' West across the Slough to the place of beginning, containing 17.6 acres.